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THE COMING LAND POLICY

WILLIAM THUM

UC-NRLF

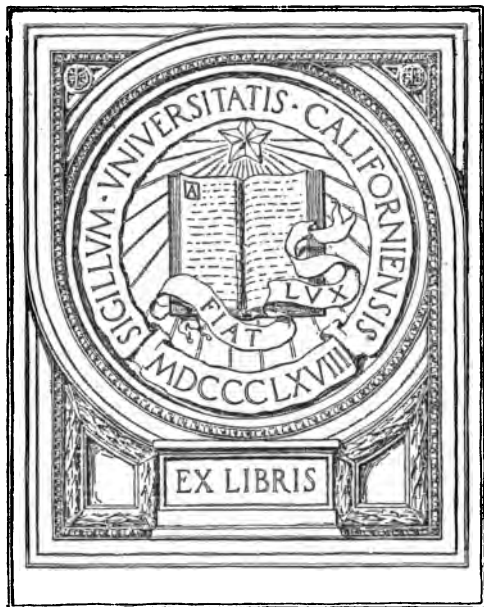


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SUPPLEMENT TO
UNTAXING THE CONSUMER

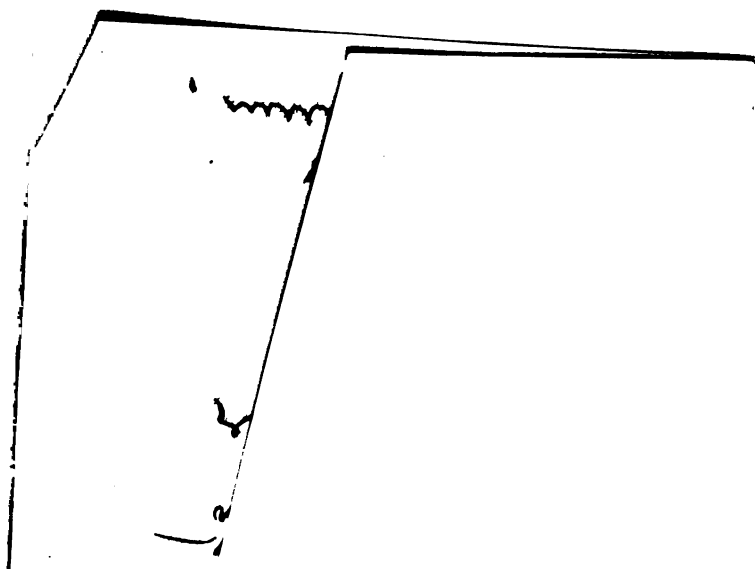
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THE COMING LAND POLICY

WILLIAM THUM

The Antithesis of the Single Tax Policy

Supplement to
UNTAXING THE CONSUMER

1920
WILLIAM THUM
Publisher
Pasadena, California

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gift of the author

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THE COMING LAND POLICY

SUPPLEMENT TO
UNTAXING THE CONSUMER

INTRODUCTION

This summer I intended to revise my book "Untaxing the Consumer", and so informed my correspondents, as it needs improvement in many places. For the present reader who did not see the book I quote from its introductory pages with slight modifications, and suggest that the book be read in full in connection with this discussion.

"Although this book deals largely with the untaxing of the consumer, in addition to that its first two chapters treat the land question in its relation to prices of commodities. *The purpose is really to ask questions and not, as might seem, to offer convictions or facts*; also to show advocates of various tax systems the nature of the numerous thoughts and questions that are likely to arise when citizens are pondering how to vote on Single Tax and other tax laws. Some of these questions are old and have been discussed many times, while others are new and have as yet received little attention, though they bear on the old and make it necessary to seek new answers. The remaining chapters show how we can eliminate the always troublesome tax problem from the last great natural resource still remaining in possession of the public. * * * * The tax question, coupled with inseparable economic questions, creates a problem so deep and complicated that the best amateurs soon become lost in a quest for its solution. To solve the problem by nation-wide experimentation form-

ulated by men of insufficient experience would take hundreds of years, and would do avoidable harm in the meantime to the American public. Some way ought to be found to appoint a commission of life-time experts on taxation and economics, composed of people who possess the broadest possible social training and experience and who can be influenced by nothing except facts as they see them after due study. It should include men who, in the field of research, measure up to the reputation of Professors Richard T. Ely and Edward Alsworth Ross of Wisconsin, Thomas S. Adams of Yale, R. A. Seligman of Columbia, O. M. W. Sprague of Harvard; also men who are acknowledged leaders in business management and labor. Their task should be to formulate in detail a tax plan and work out a revision of such part of the social system as may be imperative in making fair taxation possible, and, what is of equal importance, the commission should devise a thorough scheme for fully informing the public regarding this plan and for putting it into practice.

* * * * *

“Why do Congress and our State Law-makers leave this vital problem to be bungled over by self-appointed amateurs, like the writer of the present book, and others? A development of the answer to this question would reveal why, as a general thing, our better planned progressive economic and social moves, usually only of the most limited extent, however, are inaugurated after amateurish efforts of self-appointed economists and sociologists

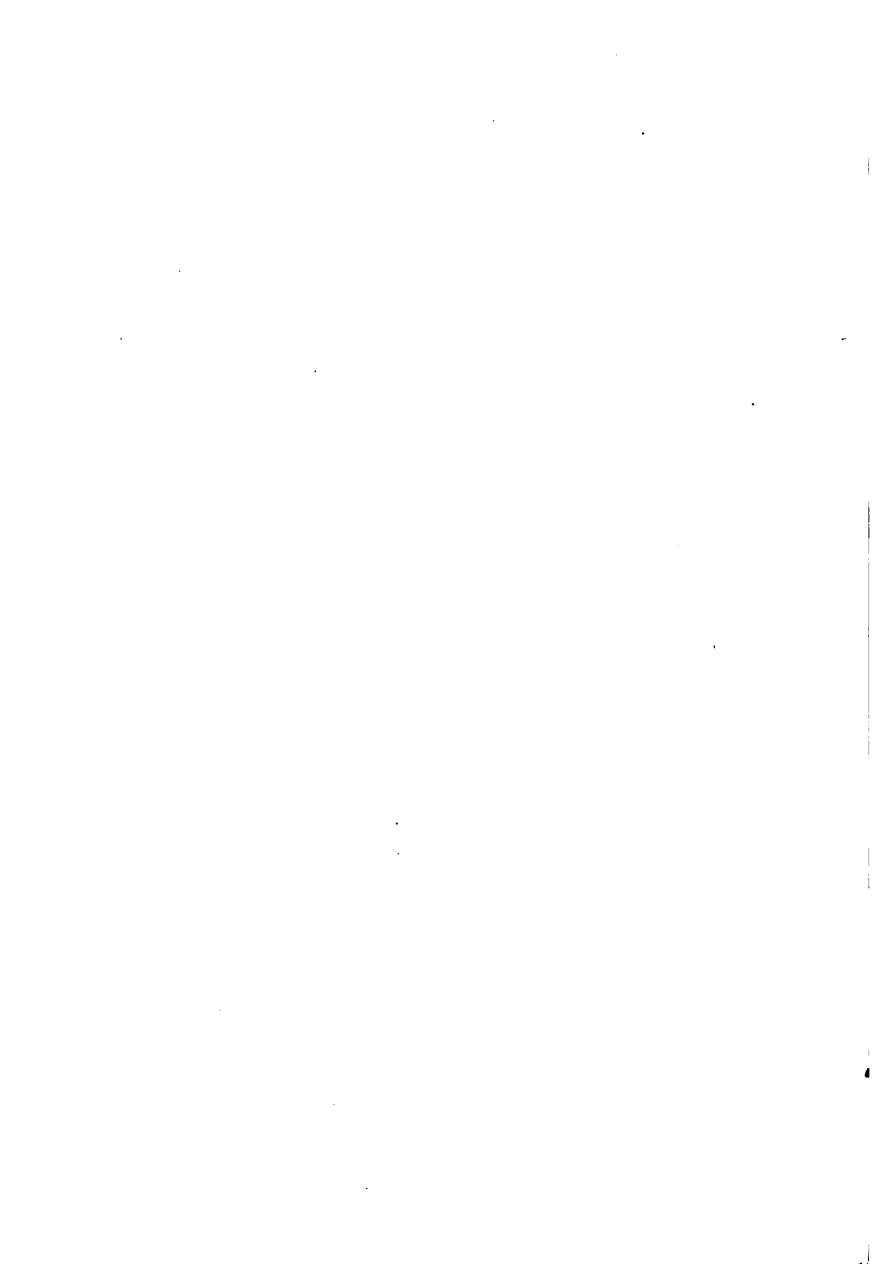
become a serious menace to what little orderly development there is in problems of this kind."

Instead of rewriting "Untaxing the Consumer" this summer, I decided to spend the time in preparing this supplement, giving a somewhat specific outline of what I believe may be the coming land policy. The dates that I have arbitrarily given for the inauguration of the various steps of the coming land policy are premature, unless Business itself takes hold of the land problem with a clear understanding of the same and a high public spirit. My intention is to write a second supplement next year as a justification of the land policy described in the present supplement. I plan still later to rewrite both supplements and the original book, adding new material, all to be bound in one cover. (See Appendix One, page 50.)

In spite of the work required to develop and administer the land policy here described and the new tax policy that must eventually become a part of it, the adoption of this scheme, which is the antithesis of the Single Tax policy of Henry George, will present far less difficulty than the development and application of Single Tax. What is of commanding importance in this connection is that the coming, or free, land policy is in harmony with the most logical and inevitable line of development in all other branches of social growth and will, therefore, be a co-operative rather than a disturbing element in social advancement. The elimination of any important disturbing element by using a little more reason and a little less trying, costly experiment is a matter of the greatest importance to public welfare.

WILLIAM THUM.

Pasadena, California, October 1, 1919.



THE COMING LAND POLICY

Foreword. The coming Land Policy is not a matter of fancy. It is here in its incipient stages and is bound to reach its maturity in the course of time, regardless of the intervention of disturbing interests and experiments. However complicated or difficult the plan described in what follows, as practical knowledge in regard to it accumulates, it will appear simpler and finally be regarded as an ordinary feature of a complex social scheme. We doubtless have men who can frame a plan that will be highly serviceable at once, although it will take years to perfect it. And not only will the application of the policy become easier with experience; but, as soon as it takes on an orderly, fairly advanced form, it will so react on the other features and policies of the great social scheme as to improve general social relations and conditions almost beyond imagination. To bear with a few years of increased difficulty or complexity in the public administration of our greatest resource, land, in order to gain hundreds of years of a higher social life is a profitable undertaking.

Need of an Able National Land Commission.

To carry out the suggested plan would do less violence to our social organism than if we followed our usual method of meeting questions of this sort, yet it would result in an earlier and greater good to society at large. Our present method, as is well known, consists of treating isolated symp-

toms, after conditions have become dangerous or unbearable, with limited palliative measures. It is true, we often start boldly to correct some general, deep-seated social ill by sweeping, superficial experiments; but the net result corresponds with the means employed. Although it is not possible that any general land policy will ever be suggested in which errors will not appear that must be soon corrected, if prepared with honest intent by the most highly qualified of our students and workers in economic fields, the scheme devised by them would be invaluable—in fact, indispensable in profitably carrying out the desired reform. This raises the question, why do they not do it? The expenditure of both time and money to accomplish this properly is too great for trained economists to bear alone. It is, therefore, necessary that the public be awakened to the necessity for a correct land policy, that the required funds may be made available and that a commission or commissions, made up of capable men, shall be demanded by public opinion.

A Serious Obstacle to Agricultural Business.

Hardly anything could demonstrate more forcibly than an experience of Dr. William J. Spillman, in the United States Department of Agriculture, the almost insurmountable opposition that our professional men must meet in endeavors on their part to introduce a reform of real significance. As chief of the Office of Farm Management in this Department he endeavored to devise a thorough, practical system of cost-keeping for the American farmer. Now, farming done in the interest of the agriculturist and the consumer, and not largely in the interest of intermediaries urgently demands

the application of an accurate and practical system of accounting and cost-keeping. The Agricultural Department, in contrast with its exceptional efficiency in most directions, has been and still is an obstacle in the matter of cost-keeping of farm production. But, accounting and cost-keeping are the very foundation of management in every kind of business—as much so in farming as in the largest industrial enterprises. In fact, cost-keeping is one of the most important features in the first step of the new land policy, especially as it applies to farms. It is significant that, after Dr. Spillman's ~~reluctance~~ ^{resignation} from the Department, this Department deliberately abandoned the development of a system of cost-keeping for farmers. The Doctor's own statement in Appendix Three, on page 59, reveals the blind, antagonistic attitude of certain large financial and industrial interests towards enlightening the farmer concerning methods for determining the cost of production. Farmers' organizations might well consider employing Dr. Spillman, or some other qualified man, to carry out the work that he was prevented from completing.

Reasonable Socialization.

The land policy outlined in this chapter, although not based on an intensive study of the subject, but on practical experience, sets forth some of the principal points that must be considered in framing any land policy. It also is offered to present the idea of establishing social plans with time limits conservatively fixed for their successive stages, thus furnishing a clear goal to work for and a better basis for sustaining hope than is now in vogue.

To enter upon all the calculations and to keep all the records required to carry out what follows will seem a very large task to those unfamiliar with such business methods. But, after this public work is once standardized, it will prove relatively simple. The business experience accruing to the general public through working and carrying out the plan will be a great, if not vital, aid in properly socializing our country in its more common economic phases or activities, leaving the higher human activities for individual undertaking and thus permitting the development of a superior type of individuality.

MUST STOP SPECULATION IN LAND

State Land Settlement Scheme.

The State Land Settlement plan of California, together with affiliated State activities, if given a fair trial, will doubtless accomplish most of the objects defined on pages 62, 63 and 64, in the first edition of "Untaxing the Consumer", and will finally settle our perplexing land question as far as it relates to agriculture; *provided* speculation in the land coming under this plan is brought to an end relatively soon and methods are adopted to relieve the consumer from paying indirectly or otherwise any and all land taxes. (See Appendix Two, page 54).

By the terms of the California State Land Settlement law of 1917 the State purchases and subdivides land suitable for farm communities and develops the tract with roads, an irrigating system, model homes, etc. It then sells farms to settlers at cost for a reasonably moderate cash payment down and small annual installments, charging five per

cent interest on deferred payments. It also provides these settlers with such Farm Advisers as may be necessary.

Possibility of Failure.

But, until the taxes on farm lands (as well as on improvements) are eliminated, the consumer will always have to pay them, however indirectly, and, unless a minimum use of the land be exacted by the State as a condition for continued ownership, and proper rules be established for determining its maximum allowable selling price, as well as the maximum allowable rent based on such price, speculation cannot be reduced to the minimum and the work of the State Land Settlement Board will never result in the good it seeks to inaugurate. A similar statement applies equally to urban land.

Working Out the Problem.

What follows constitutes a tentative plan for working out the major part of our land problem within twenty years or thereabouts, and for its practically complete solution in the next sixty years. Some scheme similar to this will probably have to be followed before our land question can be settled finally and satisfactorily.

1919 and Later.

THE FIRST STEP.

(Rural Colonization).

The State of California through its Land Settlement Board is buying, platting and improving agricultural land and selling it to actual settlers. The Board and other governmental agencies are disseminating agricultural knowledge and are in many other ways improving rural conditions, to insure the success of colonization. This will probably be continued indefinitely.

As soon as the Board has demonstrated in actual practice that it has developed a thoroughly successful method as far as colonization goes, the "second step" will be in order.

Present indications are that unqualified success for the first step will be proved by the end of the year 1919, and will be universally recognized within a year.

1921

THE SECOND STEP.

PART A.

(Maximum Legal Selling Price beyond Which the Public Cannot Legally Go.)

Part A: This step should be taken not later than 1921 and should consist of devising in detail a method for determining and putting into effect the maximum legal selling price of any State Settlement Farm, in cases of purchase or condemnation by the Public. Unless the owner be willing to sell at a lower figure, this price will equal the combined money values of:

- a. Raw or bare land, including appurtenant general and special public improvements paid for prior to purchase of the land by the State.
 - b. Appurtenant *general* public improvements paid for through taxes after the original purchase of the raw land by the State.
 - c. Appurtenant *special* public improvements paid for through assessments or otherwise, subsequent to the original purchase of the raw land by the State.
 - d. Private improvements, including growing crops.
 - e. Initial overhead cost.
- It must not cover the value of:
- a. Special features.
 - b. Site value (economic advantage resulting from location).

EXPLANATION OF EACH COMPONENT PART,
OR SUBDIVISION, OF MAXIMUM LEGAL
SELLING PRICE OF SETTLEMENT
FARMS IN CASES OF ACQUISITION
OF SUCH FARMS
BY THE PUBLIC

Raw Land.

For the purposes of this discussion, when Settlement Farms are sold by private owners the value of land in its raw or nearly raw condition is based on the original purchase price paid by the State when procuring the tract for subdivision, it being understood that the State will first have sold the Settlement Farm to the farmer for an amount which includes the raw land practically at the said purchase price, plus expenses of handling.

Haphazard determination of prices.—Under our present social system the selling prices of a vast majority of things, including land, that are objects of sale on the market are determined by a crude, unscientific and haphazard method.

Especially in cases of sales between private interests the commercial selling value of a farm, whether it be a highly improved five-acre lot or a slightly improved hundred-thousand-acre ranch, is based on, or rather influenced by, many conditions, such as (a) directly appurtenant public improvements; (b) a certain portion of indirectly appurtenant public improvements; (c) present worth of private improvements belonging to the farm; (d) net benefits accruing to the farm from public and private-owned public utilities; (e) value of other benefits accruing to the farm from its being an integral part of a community, or social organization, to the development of which it may or may not have contributed a reasonable share through taxation or otherwise; (f) estimated prospective net income, whether this be expected from the business or rent or increase in selling price of the farm, or all three; (g) special features; (h) a biased state of mind both of purchaser and seller at the time of sale (the latter often endeavors to influence a buyer in believing the property worth much more than its real value, and the buyer, purposely or unintentionally, just as often underestimates its value); (i) financial needs of the seller; (j) financial resources of the buyer; (k) the method and rate of taxation; (l) demand.

The result (expressed in terms of money) of the above mentioned influences acting in combination, except the value of private improvements, is superficially regarded by many Single Taxers as the site

value. In a manner most people still regard the selling price thus evolved as the equitable price of land. Fortunately all of these enumerated influences affecting the commercial price of farm land have had up to the time the State buys it a relatively weak effect on the price of the class of land the State Land Settlement Board must acquire for colonization purposes, and these influences are bound to remain of slight effect and even to become weaker as our new land policy develops. But it is to be remembered that the price of item "Raw or Bare Land", up to the date of purchase by the State, is reached or developed under such influences as those enumerated. In fact, the combined effect of these influences practically establishes the price that the State must pay and, as already explained, what the State thus pays is essentially the amount regarded as the value of raw land in the present discussion. This statement is made on the assumption that the State will not acquire other than undeveloped or lightly developed land for subdivision purposes. In this connection the thing of vital importance is that, after purchase by the State, no addition shall be made to the price of the raw land item of any Settlement Farm, except for the cost to the State of handling it.

Scientific price of farm land.—Truly there can be no clearly defined relationship between the price and the intrinsic value of farm land at the present time. But, before many years, it will be generally apparent that in a society having highly specialized production prices of all necessities and fundamentals—especially of land—must be based on the most scientific principles. As a matter of fact *prices* should be a thing of first concern and consideration.

As explained under the eighth step of this article, the item Raw Land should in the course of time be altogether eliminated from figuring as an item of value in the maximum legal price of Settlement Farms.

General Public Improvements.

General Public Improvements, for present purposes, are improvements paid for out of general taxes; that is to say, out of taxes levied in common against all the individual private properties in any political subdivision, in amounts irrespective of the particular benefits that may accrue to such properties individually from these improvements. It would not matter whether these general improvements belonged to the State, as, for instance, the State capitol building, the State university, or State harbors; or to the county, as the County Court House, County Hospital, or county bridges; or to the district, as public schools, roads or storm drains, etc.

The amount included for general public improvements in the maximum legal selling price of a Settlement Farm should be the value of the proportional part of this kind of public improvements that apply to the piece of land under appraisalment, meaning such proportion of the improvements as was paid for out of general taxes (as distinguished from special assessments) levied on the farm subsequent to the original purchase of the raw land by the State Board. Proper amounts for depreciation and obsolescence of these improvements, up to the time of determining their value (being the date of condemnation or repurchase of the farm by the State), would have to be deducted. However, at some future date—call it 1930—when the method of taxa-

tion will have become appreciably better, the cost of any further improvements met through general taxation should cease entering into the maximum legal selling price of any Settlement Farm, and that part of the price at the time covering *general* public improvements should, as it were, be gradually liquidated by the State in the manner provided for in Step Eight.

Special Public Improvements.

For present purposes we will consider as special public improvements those paid through special assessments levied only against properties particularly benefited,—each property being assessed relatively for any definite improvement according to the benefit it is believed to derive from that improvement. The amount included for special public improvements in the maximum legal selling price of any Settlement Farm should be the present value of the proportion of such public improvements as has been paid for through special assessments levied against the farm in question. To this should be added the present value of public improvements which are beneficial to the farm and which have been constructed through private initiative and paid for by voluntary contribution in behalf of the farm. As in the case of general public improvements, depreciation and obsolescence would have to be deducted.

More Technical Divisions.—To be very technical, the original price per acre that the State Land Settlement Board pays for large subdivision tracts might logically be divided into three parts: one to cover the raw land proper, one to cover the acre's share of special public improvements paid for out of special assessments on the land up to the time

of its purchase by the State Board, and the third to cover the acre's proportion or share of the general public improvements paid through general taxes up to that time. If this original purchase price were thus divided, the amounts respectively covering special and general public improvements would naturally be added to and incorporated with the corresponding amount accruing after purchase of the land by the State. If this course were pursued, the value of raw land would be somewhat less than the amount arrived at above under the caption "Raw Land", and the value of both special and general public improvements would be correspondingly more than the amount determined according to the above preceding three paragraphs; but for convenience and for other practical reasons, the value of raw land and of special and general public improvements, as determined under their three respective captions, will be employed in the discussion which follows.

Private Improvements.

To ascertain the maximum legal selling price to be paid by the public for private improvements on these farms, the so-called "present worth" or "reproduction cost" must be determined through careful appraisalment of all preparation for growing things, such as land leveling and cultivation and enrichment of the soil; of all plant life, as fruit and shade trees and crops; of all structural improvements, as dykes, ditches, drains, fences, buildings, and any other things of value appurtenant to the farm that have cost labor or forethought to create or conserve. Proper amounts for depreciation and obsolescence must also be taken fairly into account

in determining the net value of all structural improvements.

The usual official auditors and assessors equipped with modern training can co-operate in devising plans to keep the records of private improvements in such manner as to reduce to a minimum the labor and cost necessary to make these calculations and appraisals. Indeed, this can be done not only in connection with private improvements, but with raw land and public improvements as well.

Initial Overhead Cost.

The officially estimated average of the so-called "overhead cost" of putting a Settlement Farm of any classification or type into operating or business condition, as of the time appraisement is made, will probably be expressed principally in terms of percentages based on the total fair net worth of the private improvements on the farm, i. e., those which are necessary or desirable for the operation of the farm. These percentages for the different classes of farms would have to be determined by methods similar to those already standardized by public authorities in making inventories of assets of private-owned public utilities when condemning them for public ownership or when fixing rates to be charged the public for their services. However, the ascertainment of these rates of per cent will be difficult until reliable data on which to base such figures have been accumulated and analyzed. Pending sufficient experience in this line, the appraisements of this item of "initial overhead cost" should be liberal towards the owner whose property is being condemned.

"Initial overhead" in the development of farms is a real item of cost and can readily be accounted for as it accrues in each individual case; but, because of the extreme variableness of farm operations from one time to another and the great differences in cost of development on this account, fair averages must be employed in the appraisalment of this item when fixing the value of a settlement farm for purposes of condemnation or sale.

Since average "initial overhead" for any given class of farm is, practically speaking, a certain percentage of the value of existing private improvements (that is, those that are necessary or desirable for the operation of the farm), and, as it is a necessary and unavoidable expense pending the construction of these improvements and pending the opportunity to use them adequately, such "initial overhead" might fairly be regarded as a legitimate part of their cost. However, for practical reasons Initial Overhead Cost should be treated as a distinct item.

Special Features.

Scenery, social surroundings or other special features possessed by any Settlement Farm, some or all of which might in certain cases be sufficiently prized by purchasers to yield a considerable bonus, should not be given any value in case of repurchase of the farm by the public. As a general rule the original settler is not supposed to pay much, if anything, on account of such features when he purchases a Settlement Farm from the State, and whatever he may thus pay is, as already shown, included and disposed of in the raw land item of the farm. As soon as the law providing for a maximum legal selling price is passed, the Public should

be generally informed that Special Features will not bring a price when condemnation proceedings are instituted against property. This would be a notice to any successor of original purchasers from the State that whatever he may pay for or on account of special features will be at his own risk.

Site Value.

Prices paid by the Settlement Board for tracts of land for subdivision will probably never include more than a moderate amount for sheer site value and for special features. Therefore, to simplify the subject these amounts thus paid by the Board are included in the value fixed in this book for the raw land. The money value covering all such economic and social advantages that accrue to the farm (on account of its location) after the purchase of the land for subdivision purposes by the State, meaning site value in its exact sense, would include the value of most "special features"; but the latter are not included here, the purpose being to keep a separate account of the cost of each of these features, so far as any may bring a price in cases of sale between private interests. Except so far as the Land Settlement Board may have paid extra amounts for undeveloped settlement land on account of location, or special features, which amounts, as already shown, I include in the item "Raw Land", nothing should be allowed for site value or special features when the public repurchases any of its former Settlement Lands. That is to say, as here treated the site value and the special features value that may have developed up to the time when the State acquired this land is covered by the item Raw Land, while site value and

special features value which may have evolved later are separately treated under their respective titles.

Simplifying the Task.

The State Land Settlement Board will probably be equipped with a department to assume general supervision over the price-fixing of farms. In order to meet contingencies that might arise in vexatious cases of condemnation, it might be desirable to provide that the award payable by the State shall in no case of this kind exceed an amount determined as follows: Let a qualified body of men obtain options on three nearby available farms selected and appraised by them as individually worth several percent more to the owner of the farm than the property being condemned. Then let the Court take the highest of the three options as the maximum figure over which the condemnation award may not go. These three farms should be thus held under option by this selected body of men, in order that the farmer may have an opportunity to exercise his choice between them and purchase the one that satisfies him best, if the award has been sufficient, provided he prefers to do this rather than retain the cash awarded him through condemnation proceedings. This arrangement would often simplify such condemnation proceedings.

1921

SECOND STEP.

PART B.

(Maximum Legal Selling Price of Farms in Transactions between Private Interests.)

Part B of this step should be introduced about the same time as Part A. The object is to determine and put into effect as nearly as practicable a maximum legal selling price for any State Settlement Farm in cases of sale between private persons or interests. This price would have to equal the money value of:

- a. Raw land (including appurtenant public improvements paid prior to purchase of the land by the State).
- b. Appurtenant general public improvements (paid subsequent to the original purchase of the raw land by the State).
- c. Appurtenant special public improvements (paid subsequent to the original purchase of the raw land by the State).
- d. Private improvements (including growing crops).
- e. Excess payment on private improvements.
- f. Initial overhead cost.
- g. Excess payments on initial overhead cost.
- h. Special features, such as give but little, if any, economic advantage.

The maximum legal selling price, however, must not include anything for site value (the supposed money value of any appreciable economic advantage due to location or other causes).

Explanation Regarding Above Values.

The value of raw land, general public improvements, special public improvements, private improvements and initial overhead cost must be the same in amount as in cases of condemnation of the farm by the Public. These amounts will be ascertainable mostly from public records.

Pending a period of practical experience in the matter, excess payments on private improvements might be considered permissible when the purchaser believes that this item in a particular instance has such excess in value for him, and is ready to accept the risk of loss involved in case of condemnation suit by the Public. The same remarks apply to excess payments on initial overhead cost. Similarly the special features defined above, which may be possessed by any Settlement Farm, could be allowed to bring a price in case of sale between private parties. But, later on, if it seems necessary to neutralize partially any profits derived from these excess payments and payments for special features, these profits can be given special treatment through a branch of the Income Tax employed as a "limited remedial tax". But this method of remedying an economic fault is defective and should be used only until a more logical method becomes available.

No part of the price paid for a Settlement Farm should represent so-called site value or other form of economic advantage possessed by some farms over others. As explained later, these advantages should be approximately equalized by other means than by an extra sum paid to the owner for the land, or by rent paid to him for the use of the land, or by taxes thereon paid to the Public. Those

methods should be superseded by better ones in Settlement Districts as soon as possible and should be elsewhere eliminated persistently and gradually.

Special Cases.

Sales of Settlement Farms between private parties at less than maximum legal selling price, or of such farms sold in trade for other property, present problems but slightly different from those already treated and need no special discussion here.

Laws to Enforce Maximum Legal Prices of Settlement Farms.

The second step of the land policy must include the development and application of the necessary laws to prevent as far as possible prices on Settlement Land that exceed the maximum legal figure, thus practically excluding compensation for location or site-value. Mere suppression of the selling price of site-value would still leave the question of economic rent for the future to solve. The farm owner who operates his own property has the benefit of any and all economic rents that may accrue to his farm. Of course, in this case he does not receive rent from a tenant for the use of the land, but he gets the benefit of this rent through the products that he sells. To finally eliminate such economic rent the law governing the selling price of Settlement Farms must be accompanied by radical laws for economic rural planning and certain economic laws—especially those governing prices of commodities. (See Footnote). No social system can ever be wholly just until economic

FOOTNOTE: By economic rural planning I mean such arrangement and development of rural districts as tend toward equalizing the economic value of all farm units, i. e., of each maximum tax-free parcel of land, referred to more fully under the Sixth Step of the "Coming Land Policy".

rent is entirely eliminated, i. e., made non-existent. This must not be done by eliminating the special benefits that cause this rent, but through making these benefits general or universal as far as possible. It is doubtless true that the enforcement of an act fixing the price of Settlement Farms will evoke subterfuges to block its application for a considerable time, as is the case with most restrictive economic laws. For instance, a well-to-do farmer, in order to purchase a tract of land, might offer more, ostensibly because of its scenic environs, than he would ordinarily pay for a benefit of this kind, while his hidden purpose might be the acquisition of certain present or possible future economic advantages in location. It is this speculating in the special economic benefit of location within the limits of Farm Settlement areas that the legal price-fixing of farm land, with certain supporting measures, is meant to check. On the other hand, a farmer may be willing to pay for a farm more than it is really worth, not for speculative reasons at all, but solely for its scenery or its proximity to the home of certain relatives or friends, etc. It does seem that a lover of nature's beauties or a man fond of the proximity of friends or other such pleasures ought not to be barred from purchasing a site possessing such features if he is financially able and willing to do so, even if he be required to pay an extra price on account of them. The problem is how to prevent the use of subterfuges as an aid in speculating in location or site-value.

FIVE CHECKS TO SPECULATION

However, for apparent reasons, in dealing with private owners nearly all prospective purchasers of Settlement Farms will be deterred from offering

more for the bare land item of such farms than its legally figured selling price. Likewise a prospective tenant will find little, if any, incentive to pay rent that will allow more than a fair interest on the recorded maximum legal selling value of the raw land item and other recorded or ascertainable legal values constituting in the aggregate the full maximum legal selling price of the entire farm.

The most potent reasons for this would be:

1. *A constant supply.*—The State has for sale on easy terms equally good farms favorably located in the same or other Land Settlement districts at the cost of the bare land item, improvements and initial overhead cost. This fact alone would in most instances and without legal enactment prevent better offers being made to private owners by prospective purchasers.

2. *Equalization of intrinsic worth.*—A public policy is quietly and surely developing to make our farms, especially Settlement Farms, more equal in agricultural productiveness, in availability to markets, in social conditions and in other respects. This is more fully explained in Appendix Two. It is beginning to be felt, if not clearly foreseen, that this policy will in time tend to equalize greatly so-called site values, and, to the degree in which this equalization is gradually effected, speculation in the economic values of location will be eliminated automatically, regardless of other influences.

3. *Steadying of prices through right to condemn.*—Whenever it is clearly in the public interest to do so, the Public will doubtless reserve the right to condemn for private purposes other than the one for which the farms are at the time being used, any of the farms it has sold to settlers, as well

as the right to condemn them for its own use. The reservation of these rights will hold back a prospective purchaser from offering an amount so large for any farm as to be later discounted if the farm became involved in a condemnation suit.

True, it is a relatively rare occurrence for a farm to be condemned for public purposes; but it does happen and, when it becomes a matter of common knowledge that the Public, when acquiring private land in Settlement Districts, will pay nothing directly or indirectly for true site value, then a prospective buyer will be greatly influenced in the offers he makes a private owner for a farm in such districts. However, since the public will reserve the right to condemn Settlement Farms for the purpose of changing their use not only from private to public purposes, but from one kind of private use to another—as, for instance, changing a portion of a farming district into an urban center or industrial district—it will happen more frequently that farm lands will be condemned by the Public. Under these circumstances the greater the chance or likelihood of condemnation the more certain will be the individual, who purchases Settlement Land from any owner other than the State, to arrive at the amount of his offer by the method established for condemnation by the Public, which would be the maximum legal selling price. On account of this alone the opportunity for speculation would be greatly reduced.

4. *Keeping public records to give assistance.*—The assessor will keep a public record revised from year to year, as he now does, showing individual properties and their respective owners. Annually he will also determine and record the maximum legal selling price of raw land, of private improve-

ments on each Settlement Farm, of the proportional part of the general and special public improvements appertaining to it, and of initial overhead costs. The assessor, after every sale of a Settlement Farm, should also make a record of any amounts that may have been paid for: a, excess payments on private improvements; b, excess payments for initial overhead cost; c, special features. The amounts of these three latter items he would naturally obtain without delay from copies of deeds in the County Records. All this would be of value for income and other tax purposes.

Such a public record will have a compelling influence in checking speculation in site values. And, if the assessor will keep a yearly record of the actual cost of the private improvements on farms, as he probably will be required to do, instead of the inaccurate records now maintained, and if immediately in connection with every sale he determines and records the actual present value of such improvements, the chance for any appreciable amount being paid for site value, through purposely overpaying for private improvements, would be still further lessened; for, in the face of such records, the purchaser will realize that he may have difficulty in obtaining an excess price for the improvements in case of resale. The same thing might be said of excess payments for initial overhead expense, and also of special features.

Something akin to the work involved in preparing these records has now to be done by the individual farmer for income tax purposes and might as well be done through the county assessors in behalf of the Federal Government (under its general supervision) as soon as they as a class are equipped and qualified for starting such records for Settle-

ment Farm Districts. Thus the necessary information would be available and uniform for all kinds of tax purposes.

5. *New requirements in farm deeds.*—Once the public mind is bent on checking speculation in Farm Settlement land, the State authorities will require publicity in all deeds, and in all valid grants of real estate from private owners to private purchasers the exact amounts paid for the following items will have to be stated and sworn to:

- a. Raw land,
- b. General public improvements,
- c. Special public improvements,
- d. Private improvements,
- e. Excess payment on private improvements,
- f. Initial overhead cost.
- g. Excess payment on initial overhead cost,
- h. Such special features (separately listed) as give little economic advantage to the farm.

Out of the total price paid for the farm the proper amounts will have to be apportioned to each of the above enumerated items and thus written into the deed; but none of the apportionments for raw land, general and special public improvements, private improvements and initial overhead cost should be in excess of the amount recorded on the books of the assessor as the respective values of these several items, or parts, of the maximum legal selling price of any Settlement Farm.

If, after entering the proper amounts paid for raw land, public and private improvements, and initial overhead cost, there still remain a balance in the total selling price of the farm, it should be divided between (1) excess payment for private improvements, if any amount is paid in addition to

the value recorded for private improvements by the assessor; (2) excess payment, if any, on initial overhead cost; (3) special features, if any were paid for. The apportionment between these three items should show the amounts for each respectively which have been mutually agreed upon between purchaser and seller and which have passed between them by way of compensation.

Reconciling records with the deeds.—At the time of sale of any farm the recorded values on the assessor's books will be as of the last passed annual assessment date, and subsequent changes, if any, in the values of raw land and public improvements will have to be estimated to date by the assessor. Like subsequent changes in value of private improvements and initial overhead cost would have to be prepared by the owner and adjusted by the assessor. These changes thus determined would have to be entered on the public records as of the date of transfer of the property, in order that they may be the same on the assessor's books as in the deed. At the next annual assessment the full legal machinery, including the usual right to appeal to a Board of Equalization, would re-establish the values to date in the regular way.

If animals, implements, supplies, stocks of materials, are sold with the farm, a separate statement covering these items should be filed with the assessor.

The five checks on speculation enumerated above would probably suffice for several years. In the meantime a more extended law providing adequate penalties may be devised to stop virtually all speculation that may then still exist along these lines.

Lightening work in income tax report.—All of the records required by the plan would be of value

in connection with the Income Tax, and manipulating the figures to avoid or decrease the amount of the tax, or indirectly to pay the seller something for site-value, would involve unprofitable risk in most cases. Furthermore, keeping up these records would tend toward putting farms on a business basis.

Recording made easy by small beginning.—At first this method of keeping account of sales of Settlement Farms may seem rather complicated, but in the course of three or four years it would be carried out quickly and with comparative ease. Since it would be used only in connection with a relatively small number of Settlement Farms, the authorities would have ample time to develop an easily workable, detailed plan, before the increase in the number of these farms is very great. In fact, experience with Income Tax blanks for farm operations, as issued by the Federal Government in 1919, makes the plan here suggested for assessing and deeding Settlement Farms seem by comparison very simple indeed.

Good farmers and occupied farms.—One effect of establishing a maximum legal selling price for the resale of Settlement Farms is that it will become unprofitable to hold them idle, there being practically no possibility of advance in price of the raw land, while public and private improvements applying to the farms will deteriorate and lower in value. Another advantage lies in the fact that only those individuals will buy settlement lands who mean to make agriculture, uncombined with possible speculative gains from the resale of their land, a source of livelihood. A farming community developed under the conditions here outlined is bound to be well settled by earnest men and women; pro-

duction is sure to be liberal, and the business end of farming will prosper better than if the community were built up under the present haphazard plan.

1921

THIRD STEP

(Unlimited Right to Condemn Private Land)

Learning How to Solve the Land Problem in Cities.

By 1921 the State authorities should be given the right to condemn for any purpose whatever Settlement Lands or other lands in their vicinity at an adequate remuneration. Such a law would enable the State to acquire land within or adjacent to Settlement areas for urban purposes when occasion demanded it, and this land would, of course, be platted according to the best rules of city planning, each piece when resold by the State being deeded for adequate private urban use and for the special purpose for which it was reserved. Naturally such urban Settlement Lands would be sold subject to a maximum legal selling price and a minimum use, and in the end they would be made tax-free. This would all be provided for as in the case of agricultural Settlement Lands (steps two, four, five and six). By developing these Land Settlement towns, which will certainly spring up, the State will gradually learn by experience how to frame laws in detail for freeing the land from taxation in its cities, new and old, in a manner economically advantageous to the public. The right to condemn land for private urban purposes in or adjacent or near to Land Settlement projects is, therefore, of vital importance.

1921—1922.

FOURTH STEP.

(Minimum Use of Settlement Land).

Soon after the plan of fixing the maximum legal selling price is in regular operation, the State should enact a law providing for the minimum use that any privately owned parcel of Settlement Land may be put to without incurring fines or invalidating the owner's title to it. Because the owner will then no longer have any assurance of a speculative gain through increase in the price of his land he will undoubtedly regard himself as a loser every day he cannot or does not use it profitably. For this reason, the law fixing the minimum use should not be stringent. Indeed, it should be so sparing with its penalties that an owner, who for any reason wishes to sell or otherwise dispose of his farm, may have ample time to do so without being compelled to suffer any material loss through fines, or being in the meantime obliged to put it to greater use than is profitable for him. Of course, until the present land tax is discarded, that in itself will act as a more than sufficient penalty under the new conditions.

However, should any owner neglect his land in a manner really detrimental to the public interest, he will have to be punished accordingly. In disputed cases, the question of guilt and penalty should be decided possibly by special land courts with juries composed of farmers, who would be in position to sympathize better with the supposedly neglectful owner, if he deserved such sympathy.

1925-1930.

FIFTH STEP

(Introduction of Tax on Individual Incomes Derived from Settlement Lands).

Necessity for land tax ended.—Because land speculation in Settlement Farms will be greatly checked, and because the “economic” rent of the land in these farms will be largely neutralized wherever the preceding steps are well established, it will no longer be essential that public funds be raised by means of taxes on agricultural land and its improvements located within the limits of Land Settlement communities. When desired, such taxes may be superseded within the limits of these Land Settlements by the individual income tax on all incomes (in excess of the legal exemption) derived from the land. This will constitute the “fifth step” which might be taken some time between 1925 and 1930. However, taxes on excess-land holdings described under “Step Six” must be continued.

Haste not important.—With the first four steps of the coming land policy in full operation, the object of immediate importance, that is, cessation of speculation in Settlement Lands, will largely have been accomplished, and the fifth step, or the change from real estate taxes to the individual income tax, in these Settlement communities can be delayed a reasonable length of time, as above suggested, without ultimate injury to the plan of untaxing the land. It can even be postponed until the individual income tax becomes general as the principal source of public revenues throughout the State, meaning State, county, district and urban revenues, as well as Federal.

Making the tax optional.—If, before the income tax becomes general as a main source of revenue for State and lesser political subdivisions, these communities care to introduce a tax on the incomes derived from land as a substitute for all local taxes on land and improvements, the people will have to vote an amendment to the State constitution covering this procedure in Settlement districts. At first it may in addition be necessary to provide for this change in taxation through a clause in the deeds given to the settler by the State. The law might provide that the citizens of any Land Settlement project, or district, may vote to substitute a tax on income derived from land to take the place of existing taxes on land and improvements.

Grand aggregate total of the tax.—Until the regular income tax is employed for State and lesser purposes and is applied to individual incomes throughout the State, the aggregate sum to be raised in any year for state, county and district purposes within each settlement district respectively by means of the suggested income tax on profits derived from the land, should, of course, be an amount as equitable as conditions will permit. Doubtless the most feasible amount would be a sum as nearly equal as possible to the aggregate total of all taxes which would be assessed in that year against land and improvements located within the Settlement areas, provided taxes were to be levied there by the same plan or method employed in the State at large. Naturally, as soon as the State as a whole abandons taxes on land (other than those on excess-land holdings) and its improvements, substituting some other form of assessment, the latter would be made to apply as well to State Land Set-

tlement territory, thus superseding whatever form of income tax might at the time be current there.

Points on applying tax.—For purposes of uniformity as between the different districts and for reasons of efficiency and economy, any such income tax for local application within the several Land Settlement projects would have to be assessed and collected under the supervision of the State. Pending the adoption of a general state income tax, if a tax on incomes from farms were adopted in Land Settlement districts, farms held vacant unnecessarily, and producing no incomes, might in certain cases have to be assessed an amount equal to the average tax on profits derived from similar farms that are being operated. Also for practical reasons, until the regular income tax is applied throughout the entire State to supersede taxes on land (except excess holdings) and improvements, this local tax on incomes derived from the farming of Settlement Land would have to be levied at a uniform or so-called normal rate percent, regardless of the size of income; for it is quite certain that any surtax, or "additional" tax involving higher rates on the larger incomes would tend to lead those expecting to earn more liberal incomes than the average to locate outside of Settlement Land districts where their property would for the present at least be assessed in the old way.

Three good reasons.—There are three reasons for substituting the individual income tax for the tax on Settlement Farm land and improvements: 1, it makes such land more nearly free; 2, the less the farmer's income for any year, the smaller his tax; 3, it is a beginning in Untaxing the Consumer.

Income tax versus land tax.—A partial analysis of the income tax, to show who pays it, is a very

complex problem; nevertheless I expect to treat the subject in another supplement as viewed from the taxpayers' angle. For the present let it suffice to say that the difference to the consumer between the tax on individual incomes and that on land is fundamental. This difference is due largely not only to the normal part of the income tax, but to the exemptions, the surtax, and indirectly the excess profits tax. Likewise it is due in a measure to the fact that incomes are earned at least partially, making them to this extent a part of the true cost of production, and to the further fact that the income tax is practically universal and, therefore, more general than the land tax in its direct application. But the individual income tax on incomes derived from strictly farming operations, as here proposed, does not relieve the consumer as much as will the regular individual income tax. However, the former is a step in advance of our present mode of taxation, pending the time when the regular income tax becomes universal and a substitute for the land tax at least.

1925-1930.

SIXTH STEP.

(Fixing Maximum Size of Tax-free Parcels of Land and Amount of Taxes on Excess Holdings).

This step must be introduced simultaneously with the fifth. It fixes by law the maximum size of tax-free allotments of land to be allowed any single occupant for any particular purpose under given conditions, and it establishes by law the progressive rates of taxation on any available additional or excess land deeded the occupant. The extent of these free allotments, also of the excess holdings, is

to be governed by the good of society in general. These various areas will have to be fixed roughly at first until a system of applicable records, based on experience, has been devised, installed and developed. Deeds given by the state for excess holdings will convey a more limited ownership than deeds given for tax-free holdings. But the former should be assignable as well as the latter. The right to own and use any certain piece of land as an excess holding will, of course, depend not only on the payment of the annual taxes, but also on the demand and need for such land by other settlers as a tax-free holding. Furthermore the degree or intensity of use to which an excess holding is being put will necessarily have to be taken into account before it is reduced or altogether withdrawn from the excess-land owner, and proper compensation must be given him for any loss he may sustain. This tax on excess holding can, of course, never be superseded by any other form of taxation, and it must be merely nominal in Settlements where an excess of idle land may prevail. The law must protect the excess-land owner fully to assure him of the fruits of his labor. Regulative laws for excess as well as tax-free holdings can be developed more easily and more thoroughly under conditions as they exist in Land Settlements than under any other circumstances.

Now, according to the use to be made of it, a tax-free holding should be as large as a good farmer can handle with a specified number of employees. As the plan of determining the size of these allotments becomes better perfected and standardized the size of his family and other circumstances may be taken into account in fixing the limits of such allotments. Eventually productive

results from year to year must also figure in determining the size of these allotments.

The same general principles regarding taxation must be applied to land owned by farming corporations, but to cover land under such ownership the law will have to provide special rules for determining the area of tax-free holdings and for ascertaining the rate of taxation on excess holdings.

1920-1930.

SEVENTH STEP.

(Price Regulation of Essential Agricultural Products).

Much of the benefit that should accrue to the farmer and to society from the application of the six foregoing steps may be neutralized if selling prices of essential agricultural products are not established from time to time by the public on a basis fair to all concerned. This benefit will also go amiss if the middleman is not eliminated whenever he serves an insufficiently useful purpose in exchange for the commission he receives. It will be an easy matter to fix and regulate prices on essential agricultural products once the forward movements in the field of husbandry, mentioned in Appendix Two, are well under way. It is estimated that between the years 1920 and 1930 price regulation of the most essential agricultural products can safely be established throughout the United States for the benefit of both the farmer and the Public. As time goes on, this regulation can be extended and made more scientific and exact, especially when agricultural products are sold more and more collectively on a state-wide scale.

1930-1980.

EIGHTH STEP.

(Eliminating the Items of Raw Land and General Public Improvements).

Artificially imposed obstacles.—As stated in "Un-taxing the Consumer", the Raw Land item of farms should gradually be made practically free of price. One reason for this is that the young farmer of the future, and his wife, may start life without artificially imposed obstacles that are or should be foreign to the business of farming; for, without un-hampered agricultural activity, race vitality of the highest type cannot be developed and maintained. This does not mean that agriculture as a business occupation should not pay every just expense incident to its operation, however.

Free Farm Land.

With definite maximum legal selling prices established for the land of any Settlement Farm, meaning farm land as it was when bought in a relatively raw or undeveloped condition by the Settlement Board, the State might between 1930 and 1980, when it is older and richer, annually purchase, say, a two percent undivided interest in the Raw Land item of each Settlement Farm without acquiring any proprietary rights over the improvements in or upon the land, such as buildings, drains, leveling, enhanced fertility, etc., or any rights in the income derived from it.

Getting rid of price of general public improvements.—In the same manner, also beginning with the year 1930, the amount included in the maximum legal selling price of the farm for general

public improvements should be paid back to the farm-owner by the State in like annual installments. In that year the General Public Improvement item might be added to that of Raw Land. The consolidated amount should then be liquidated at a uniform rate per annum, ending not later than 1980. After 1930 no further tax payments made for general public improvements should enter into the maximum legal selling price of farms. The item Special Public Improvements, covering such improvements as have been paid by special assessments on the farm, should continue to be a part of the maximum legal selling price of the farm.

Annual reduction in price of farm.—Then the maximum legal selling price of the Raw Land item, as thus augmented by the General Public Improvement item of each farm, will be reduced just so much each year between seller and purchaser. In time there would remain no part of the selling price of the farm to cover raw land or appurtenant general public improvements. Settlement farms sold by the Board after 1930 will have to be given slightly different treatment in regard to the two per cent annual refund. In these cases their selling price should be discounted or rebated in an amount equal to two per cent per annum between 1930 and the year of sale, on the combined total of the raw land and the general public improvement items of the farm. This discount should be regarded as covering just so many accumulated annual refund installments of the past, but paid now by the State in one lump sum, i. e., at time of sale to the settler. As the yearly refund installments are to be met by the State, so will it have to bear this accumulated discount. This will be necessary, in order that the last of the two per cent refund installments may be

paid off to the land owner on all farms in the same year, namely, 1980.

Private ownership still. — Notwithstanding the full payment of these refund installments and the discount just referred to, a man's ownership in his farm will continue indefinitely, subject to conditions prescribed by law, and, when he or his heirs or other successors sell out, he or they will be entitled to receive payment only for the value of private improvements in and upon the land, together with the proportional part of special public improvements appertaining to it, growing crops and initial overhead cost. In some cases of sale to private parties he may be remunerated for the value of special features and for excess on private improvements and on initial overhead cost,—provided the purchaser be willing to pay so much. Then farm land would be as free as it can be made, and in the meantime, once the State Land Settlement Board can supply all the new farms for which there is any demand, agricultural land will be comparatively free.

1930-1950.

NINTH STEP.

(Placing All Agricultural Land under the Farm Settlement Plan).

The eight preceding steps apply to State Settlement farm lands, also in a suitably modified way to urban land connected with the Settlements, provided any such urban centers develop, as suggested under the Third Step.

It will not be many years before the State Settlement Board will be given *permanent* control over

all settlement lands, and I foresee conditions which after 1930 will lead owners of agricultural land located outside of these settlements to request that their property be placed under the jurisdiction of the Board and subjected to regulations identical with those governing land in the State Settlements. By 1950 practically all farm lands of the state, both in and outside of the settlements, will be under supervision of the State Land Settlement Board and will be governed through the best land laws it is possible to devise. In relatively few cases a modified type of condemnation or other legal proceedings will be required to complete the work, giving us a new single land policy based on free land, that is, untaxed land.

1920-1950

THE MOST IMPORTANT STEP.

(A Land Problem Commission).

Of course, instead of taking the steps numbered two to nine inclusive, it would be necessary only to create a Land Problem Commission, composed of men honest, straightforward, well versed in social science and professionally the best in their training the country can produce. Such a body of men will properly plan all necessary steps and by first creating an intelligent, powerful public opinion in favor of their plans they will see that these steps are taken. In fact, a wise selection of the members of this Commission will be by far the most important factor in solving the land question. With adequate working equipment and sufficient means, such a commission could survey the land problem of the world at large and thus acquire all the ex-

perience obtainable through observation and study. In this way many false steps will be saved and progress will be more quickly and economically effected. With the co-operation of the various State Land Settlement Boards that are bound to be inaugurated, such a Commission would naturally develop a land policy that would be practicable in its main features as soon as formulated. The great question in this connection is: what man or body of men, with the authority to appoint such a commission, has both the capacity to do so and the political power to keep their appointees in office, protecting them against excessive harrassment?

1920-1950

CONTEMPORARY STEPS.

(Obtaining Public Control over Our Other Natural Resources).

The General Survey.

A survey of all our other natural resources and the activities closely connected with them should be started immediately, and continued contemporaneously with the preceding steps by a special Commission. The later should also develop a plan or program that will gradually place all natural resources by 1950 or 1960 in the care of the Public for public operation. This survey would necessarily prescribe what the public should do within a very few years to prepare a sufficient number of public servants adequately to operate our electric power plants and distributing systems; also what it should do through secondary schools and colleges to make itself highly fit in proper time to carry on public ownership and operation of all natural resources.

The economic program covering these natural resources should allow at least four or five years for the survey and formulation of a clear and specific outline plan extending thirty to forty years into the future. A conservative time schedule for the accomplishment of such steps as the Commission may outline for carrying out the entire plan should be adopted and followed as closely as practicable.

Water Power the Next to Be Socialized.

The ownership and operation of water power should be as completely socialized as is domestic water. The survey covering this item need not require over two years, at which time active steps should be taken to accomplish public ownership of all of it within two decades. Beginning in two years, private power plants, one after another, should be taken over by our cities as rapidly as the political capacity of the public is sufficiently developed to permit of their operation by the people, and new plants should be built by the Public as required. It will be found that as soon as public ownership of water power is irrevocably established, our colleges, and business interests especially, will strive to make its operation more successful than public ownership of domestic water is at present. Even our most conservative politicians will see the desirability of furthering the interests of such a policy. One reason for this is that no private interest in particular will any longer profit directly by the power business, and all interests, large and small, will have use for electric power, will want it at the lowest reasonable rate and will demand the best service.

Water power should be the next natural resource acquired and operated by the public. Because it is still to a great extent in possession of the government, it would require the least outlay of money to "recapture" what private interests have already acquired, and it is the easiest of all, except domestic water, to operate, making it particularly adaptable to public ownership. Again, it is destined to be the most fundamental and important of all natural resources, barring, of course, domestic water and rural and urban land.

Coal and Iron Mines.

The plan for general public ownership and operation of coal mines by qualified cities and states should provide for an actual beginning within five years in operating a few on a moderate scale in some favorable locality, and for accomplishing their acquisition throughout the nation in twenty-five years, unless conditions warrant more rapid progress. In the same manner, the Public should gradually control and produce all the iron ore and all other common metals of the country within thirty or forty years. Notwithstanding some shirking and inefficiency within public ownership enterprises, and the scheming opposition of certain corporation interests, this will and must be done until public ownership of our vital natural resources is an accomplished fact. It would be a great gain for both Business and the Public if the former were to lend substantial aid in qualifying the Public to manage these resources successfully.

A Time Schedule for Each Natural Resource.

The plans for carrying out the scheme must in general terms conservatively prescribe how much

is to be completed by the end, say, of each five-year period, so that those most interested may know whether progress is keeping up with the time schedule. If the schedule is approximately carried out, it will insure enthusiastic support of the public; for it will show that the authorities are bent on fulfilling their promises, to meet which will mean.—1, that the people will be supplied with natural resources, such as water, power, coal, common ores, etc., at cost; i. e., the full cost of production without any price being added for the undeveloped resources in their natural state; 2, that unnecessary private accumulation of wealth out of business that the Public is fully capable of carrying on for itself will be prevented; 3, that certain private “business” will be eliminated from politics; 4, that through experience gained in the operation of public utilities, the people will become better qualified to conduct public business generally,—for it has been found that a certain amount of standardized utility business conducted by a community is in time likely to round out and improve the entire public service of that community; 5, that free opportunity will be given those to do so who wish to enlighten themselves in full detail regarding the operation of industrial business. The public-owned utility will give this opportunity of enlightenment, from which the people as a body have been excluded heretofore.

TIME TABLE CONDENSED

1919

THE FIRST STEP

(Farm Land Settlement).

The State of California through its Land Settlement Board is buying, platting and improving agricultural land and selling it to actual settlers. The Board and other governmental agencies are disseminating agricultural knowledge and are in many other ways improving rural conditions, to insure the success of colonization. This will probably be continued indefinitely. The State Land Settlement Board of California has now (1919) taken the first decisive step towards the Coming Land Policy, i. e., it has undertaken land settlement work in agricultural districts under a thorough plan and on an extensive scale (see page 6).

1921

THE SECOND STEP.

(Determining Maximum Legal Selling Prices).

The plan of establishing a maximum legal selling price for the raw land involved in the sale of Settlement Farms should be put into practice not later than 1921, the object being to check, if not to stop, speculation in settlement land, or rather in its location. An appropriate clause in the deed from the State might suffice to begin with. Before it is practicable to do this, however, accounting methods or plans must be prepared for the assessor, to assist him in keeping the correct cost records of

these various properties in conjunction with his assessment records. The selling price of Settlement Farms purchased before this provision is put into effect would, of course, have no maximum legal limit, except in cases where the owners voluntarily placed their property under the law governing this maximum limit. (See page 6).

1921

THE THIRD STEP.

(State Authorities to Be Given Right to Condemn Settlement Land and Land Adjacent to It for Urban Purposes).

The Farm Settlement Board should be enabled to enlarge any settlement town that may develop, or to start a new one on the special lines already referred to, by making use of land acquired for the purpose through condemnation proceedings or otherwise, either within the Settlement district or adjacent to or near it. This law should not be enacted later than 1921. (See page 27).

1921-1922

THE FOURTH STEP

(A Provision for Minimum Use of Settlement Land).

A law covering minimum use of Settlement Farms should be passed not later than 1922 and put into force within one year thereafter. So long as there is plenty of good agricultural land in the State, this would be a simple law to frame and an easy one to apply. (See page 28).

1925-1930**THE FIFTH STEP.**

(Introducing the Tax on Income Derived from Land in State Land Settlement Districts.)

This step has its advantages and may be introduced some time between 1925 and 1930, unless at an earlier date the State as a whole adopts the income or any other tax to supersede the tax on land and improvements, as the principal source of public funds. It does not seem likely, however, that this will take place so soon. (See page 29).

1925-1930**THE SIXTH STEP.**

(Fixing Maximum Sizes of Tax-free Parcels of Land in Farm Land Settlement Projects and Determining the Various Rates of Assessment to Be Levied on Excess Holdings.)

This proposition must be undertaken simultaneously with the Fourth Step. The Fifth and part of the Sixth step form a unit in the ultimate efforts to make farm lands free and place the farmer in a position of greater safety. (See page 32.)

1920-1930**SEVENTH STEP**

(Regulation of Prices of Leading Agricultural Products.)

This can be done gradually, but only as the business of agriculture becomes better standardized and collective selling of farm products becomes more common. The greatest activity along this line could profitably take place between 1920 and 1930. (See page 34.)

1930-1980

EIGHTH STEP

(Elimination of the Value of Raw Land and of General Public Improvements from the Price of State Land Settlement Farms.)

The idea is to have the State as a whole, between the years 1930 and 1980, gradually reimburse the owner of such land by returning annually at least two per cent of the principal sum paid by him for the bare land. After each such annual rebate of two percent on the original price of the raw land is refunded to whomsoever may at the time own the farm, the maximum legal selling price of this land will be reduced in like amount, so that in fifty years there will be left no part of the selling price of the property that applies to raw land.

In theory and quite generally in practice each successive owner will then have been fully reimbursed for the amount he himself paid on the raw land item of his farm; for each succeeding owner pays his predecessor an amount for the raw land that equals the sum of the two per cent installments still to be paid by the State. The interest paid on deferred installments of the purchase price will have to be regarded as rent for the use of the land until such interest terminates forever through the last two percent installment, and by 1980 the bare land will no longer figure in the maximum legal selling price of Settlement Farms.

Likewise between 1930 and 1980 the value of General Public Improvements should also be eliminated gradually from the maximum legal selling

price according to the method suggested for the item Raw Land.

By 1930 land will be comparatively free, and by 1980 it will be as free as it can be made, provided rural planing has been reasonably developed. (See page 35.)

1930-1950

NINTH STEP.

(Incorporating Practically All Agricultural Communities under the State Land Settlement Scheme.)

Every reasonable encouragement should be given owners whose farms are not under control of the State Farm Settlement Board to place their farms under its jurisdiction, or control, subject to the same terms and conditions (except possibly the price of the Raw Land item) as the farms which were originally sold by the Board. By 1950 this control ought, if possible, to be made compulsory if the desired result has not already been voluntarily accomplished by the land owners. (See page 37.)

1920-1950

THE MOST IMPORTANT STEP.

(The Creation of a "National Land Problem Commission".)

This Commission is to consist of the best men available, the idea being to establish it as soon as possible and maintain it as long as necessary. (See page 38.)

1920-1950

CONTEMPORARY STEPS.

(A Series of Steps Equivalent to the Ten Foregoing Applied to All Other Natural Resources.)

These steps, applied to Natural Resources, should be based on carefully made plans and should be prearranged on a time schedule, the object being to place the Public by 1950 or 1960 in actual ownership and operation of all water power, all mines of ordinary mineral products, all oil wells and all large forest resources. (See page 39.)

The Possibility of Carrying
Out the Foregoing.

When we carefully consider what progress has been made in knowledge and organization the world over in the lines of industry, business and government during the past half century, and the momentum that has developed up to the present time, what has been suggested here seems possible, and, if we can select especially qualified, public-spirited men and keep them at making plans for actual use covering such important steps as these for the nation, a great deal more will be accomplished successfully in a shorter time and without any great number of retarding social upheavals. But who is able to devise the system that will result in the appointment of these men? This question emphasizes the country's great need of a few really profound moral and political leaders possessed of deep experience and wisdom,—leaders in

the Senate and House of Representatives who will seek a practical way out of our present dangerous economic conditions; leaders who can and will bravely combat any powers that attempt to mislead the Public against its own interests; leaders who can hold out in this struggle until the people themselves are convinced that the methods they propose are sincere and wise, and that they should be followed; leaders that can enlist the aid of the most able business men and labor representatives whose understanding of social questions is broad and thorough. We all know that often before a need of this kind becomes overwhelming the right men are developed. There are indications of this taking place in Congress at present. Such men will doubtless bring about the right system for the occasion. If this happens we may look for an era of great political and economic progress, particularly in our land problem.

APPENDIX ONE

Since beginning the present supplement, it has occurred to me that some readers might wonder why I have undertaken to write on the subject. I feel that my experience, the more outstanding applicable features of which are outlined below, has given me a familiarity with the citizen land-owner's side of the problems covering rent, taxes, farm land, city land, prices of commodities and related questions. For instance:

I finished my freshman year in a state agricultural college in the early eighties, but was required elsewhere and, therefore, had to leave college. Previous to this I was engaged for five years in a small, but lively, retail business and, on returning home, again took up the work. I had a personal interest in this store from its incipency until it was sold out. During this period (twelve years) I had the usual experience with a landlord that others undergo—increase in rents, renewal of lease, additional space, etc. For fifteen years I held a half interest in a manufacturing plant from its beginning until after it had developed into a thriving business and had become a well equipped factory. This experience, of course, covered the selection and purchase of an industrial site, the meeting and adjusting of tax assessments on it and on the business, and a study of the effect of price changes on consumption and on the safety or security of the business.

Needing a radical change, I bought forty acres of rough land in the East and personally attended

to all details of planning and construction of dwelling, work shop, animal stalls, barn, root cellar, sewerage, drainage tiling, well drilling, etc. I then moved to Southern California, leaving the property in the care of a manager, to be developed into a small model farm and orchard; but I still kept a detailed account of the agricultural and other expenses connected with it. After holding it for fifteen years, I sold it.

During a period of seventeen years I paid a manager for developing twenty acres of raw land into an English walnut grove of choice, full-bearing trees, and the detailed account of this property I carefully interpreted as part of my study of walnut growing and selling.

For ten years or more I held a half interest in three other walnut groves, three orange ranches and one lemon ranch. These places were developed and operated by a manager, until sold. For a period of five years I had a half interest in a grain ranch, and also owned a half interest in several thousand acres of grazing land, renting it out. I now own a half interest in two hundred acres of fine farm land under cultivation on experimental lines.

I have owned a half interest in a large villa tract and several hundred acres of beach resort property. For about seventeen years I have held a half interest in both centrally located and outlying retail business property, mostly improved, as well as a half interest in developed warehouse property. My investments and undertakings proved moderately profitable as a whole.

For two years I was responsible for and prepared municipal budgets and closely observed the preparation of tax levies to cover them in a city of forty thousand. At the same time I wrote several

tax articles, based on the experience involved during this period. One of these appeared in the annual proceedings of a state league of municipalities and one in the annual proceedings of a national association. For more than six months much of my time was spent in appraising and effecting the purchase by a municipality of a domestic water plant worth over a million dollars. Later I spent about a month in reviewing the inventory, and consolidated and re-analyzed six years' accounts, of a municipal electric light plant worth over seven hundred thousand dollars. I have also been a member of two farmers' cooperative marketing associations.

In 1907 and subsequently I was so situated that I was enabled to observe Japanese farm laborers at close range and noticed particularly their general efficiency and their capacity for physical work. Aware of the rapid exodus of white men from farms to cities, and understanding the powerful economic and social reasons for this movement and the difficulties in the way of overcoming them, I could not fail to see racial troubles ahead that would develop into a Japanese question for the state of California. Her land problem is inseparable from our Japanese question. In fact the latter is for the present the most serious feature of her land problem, as the Japanese excel not only in physical endurance but in farm management.

To show that I gave or tried to give the subject some orderly thought, I may say that I wrote several articles on the subject, one of which was published in the Twentieth Century Magazine of Boston in June, 1910, and the other in the Pacific Outlook of Los Angeles, in July, 1913.

My observations lead me to believe that a wise and very comprehensive land policy will turn the white tide back to the farms. It will give us living conditions on the farms that will permit white farmers to render good and ample economic service to the public and still allow them sufficient personal leisure to develop a high class of citizenship which is essential to the upbuilding of a good Democracy. With the general situation thus modified the Japanese question will gradually become less serious.

In all of these and other enterprises my position usually made it necessary for me to keep informed in detail on land prices, rent rates, taxes and prices of commodities. My experience, therefore, although not every extensive, has given me a good opportunity to acquire the citizen land-owners' point of view on these problems, so far as they apply to Southern California where I have lived for the past twenty years. The limitations of my experience convince me that any man, to become an authority in this line, must study the best books on agricultural business development and on land and other forms of taxation. He must also investigate similar problems which may be in existence in other parts of the world. To do this thoroughly requires long training as a student and an investigator, which I am neither in position nor condition to acquire. However, this supplement is to be regarded as a ramified question, based on a somewhat varied, practical experience, and put to the trained economist. It is written for the purpose of clearing points that greatly perplex a large number of citizens. But, to get the full import of the question presented, it is necessary to read my small book, "Untaxing the Consumer".

APPENDIX TWO.

That part of pages 62, 63 and 64 of *Untaxing the Consumer*, referred to on page 4, is here quoted:

**"Equalizing Economic Opportunity
in Agriculture.**

"Certain things can be done toward equalizing and making more readily comparable the usefulness, or value, of different parcels of agricultural land, at the same time increasing their productiveness and availability. In urban communities City Planning can be utilized to improve and equalize the usefulness, or value, of business, industrial or residential sites respectively. The corresponding measure of Rural Planning can with like facility be used to equalize values of agricultural land.

"For reasons of necessity and practicability farming lands will probably be acted upon first. Indeed, a good start has already been made and, as soon as the social mind turns its special attention to promoting the land and tax problems for the general good, steps will be systematically taken to equalize the worth of land according to its classification, so as not merely to realize immediate results, but gradually to equalize economic opportunity and to better standardize or socialize whatever agricultural production is essential to life.

"In a society as complex as it is today it is an impossibility for any individual to do any part of this for himself, and there is no other way to reach economic equity in any field than by collective action, which means ultimately governmental action. In different parts of the country there are already

started or under contemplation plans to effect improvement in the productive or economic value of farms, incidentally making them more uniform in value. Some of these steps are:—

- "1. Government distribution of practical and scientific agricultural knowledge.
- "2. Government distribution of business knowledge applicable to farming.
- "3. Co-operation in the ownership and use of such things as public irrigating systems, jointly operated farming machinery, etc.
- "4. Co-operation in marketing through state departments or mutual marketing associations.
- "5. Co-operative storage—grain elevators, cold storage, etc.
- "6. Co-operation in the buying and manufacturing of fertilizers.
- "7. Farm Loan Banks, or "rural credits".
- "8. State Land Settlement systems.
- "9. Transportation of farm products by Parcels Post, motor truck lines owned, co-operatively or by the public and, later, by government-owned railroads. Government freight rates at that time will probably be partially equalized, in order that the cost of shipping to market may be as nearly uniform as practicable for all farmers in the same marketing district.
- "10. Extension of good roads. Such roads reduce the mileage cost of hauling and consequently tend to equalize the cost

of transportation by private means, making the value of land more nearly uniform.

- "11. Rapid increase in the number of secondary schools in rural districts, offering good agricultural courses.
- "12. Continued advance in agricultural college courses.
- "13. University extension work.
- "14. A system of reporting local, as well as general, prospective crop and market conditions. This will doubtless soon be inaugurated, in order that over-production and under-production may be moderated and prices steadied.
- "15. Great extension and improvement of the present "farm adviser" system, operated in connection with universities. Through this the farmer is advanced in professional and business knowledge relating to agriculture. The purpose in part is to inform and aid him regarding: a, the agricultural value of land he purchases from the State Settlement Board, and the uses to which it can be put most profitably; b, what the crop requirements are likely to be for the following season (in this connection the farmer will also be given such information as will enable him to draw his own conclusions in regard to crop conditions); c, the latest discoveries concerning the care of the crops a farmer has planted; d, the latest ways of keeping records covering the results of his

work, in order that the farmer may determine the value of his efforts and strive for better farming methods; e, the introduction of collective production to its practical limit; f, co-operative marketing associations.

"Through Farm Advisers much will be done to increase the efficiency of agriculturists, to advance farming as a profession, to stabilize and otherwise improve farming as a business,—all of which will tend toward equalizing economic opportunity in farming and the intrinsic worth of land for agricultural purposes, and will also tend toward simplifying the land problems and the land-tax schemes in agricultural districts."

It is not well or natural that all farmers' sons should remain on the farm. On the other hand, as they do not remain in sufficient number to supply our needed agricultural products, it is necessary that special and adequate provision be made for young men of the city to enter agricultural pursuits. To this end I consider it desirable that a State farm of at least two thousand acres for each million of population be made a part of the equipment of every state agricultural college. This farm should be used to give every graduate who so desires a plot of ground of five or more acres, to operate for his own benefit for a period of one, two or three years, immediately after graduating. Such a finishing step will counteract the tendency of graduates to seek employment in non-agricultural pursuits and thus prevent drifting permanently back to the city. This plan, too, if the student be successful, will enable him to effect a sav-

ing with which to make a first payment on a State Settlement Farm. Should this large college farm be operated as a self-governing community under college supervision or under the supervision of the State Land Settlement Board, and should this community be made to function on an ever higher economic, political and social plane, it will develop citizenship of a kind that every democracy must have to be successful.

APPENDIX THREE

STATEMENT OF DR. SPILLMAN

Dr. W. J. Spillman was Chief of the Bureau of Farm Management in the Department of Agriculture from 1915 to 1918. Also previous to this date—in fact, since 1905—he was connected with the Department in other important capacities. He is recognized as an agricultural scientist of high rank. His statement, which follows, is a reprint from *La Follette's Magazine* of June, 1919.

“In the summer of 1917 the President directed the Federal Trade Commission to undertake certain investigations relating to the production, ownership, manufacture, storage and distribution of food-stuffs. In the presidential letter to the Federal Trade Commission he states: ‘I shall direct that Department (Department of Agriculture) to co-operate with you in this enterprise.’ The dealings of the Federal Trade Commission with the Department of Agriculture were held with the Bureau of Markets and it was mutually agreed between the Bureau of Markets and the Office of Farm Management that the latter office, because of its long experience in cost of production investigations, should have charge of this phase of the work.

“Pursuant to this understanding, the office asked for thirteen letters of authorization for the purpose of sending men into the field to collect data in addition to that which the office had already ac-

cumulated during the ten years' investigation of this subject. The principal object sought in this field work was to secure accurate information on prices of labor, feed, etc. The Secretary of Agriculture refused to grant such letters of authorization, and called me to his office. This was early in October, 1917.

"In the interview which followed he ordered me to discontinue the cost of production investigations, on the ground that the farmer is not entitled to any information on the subject. 'The only use ever made of such information,' said the Secretary, 'is for agitators like this man Baer of North Dakota to go out and stir the farmers up with it.' The next day I received from the Secretary of Agriculture an unsigned letter, drawn for his signature, sent me ostensibly that I might suggest changes in it, beginning as follows: 'According to the agreement we reached in our conference yesterday the following projects in the Office of Farm Management will be discontinued.' He then went on to enumerate by number every project dealing with cost of production. This, of course, put a stop to our field work so far as it related to this particular investigation.

Cost of Production of Live Stock.

"Early in January (1918), Mr. Ed C. Lasater of Texas came to my office and asked me the status of our cost of production investigations. I told him the facts above related. He suggested that he might be able to help the situation, and I assured him that his help would be appreciated.

"About the middle of January a telegram was received by the Secretary reading substantially as follows: 'The American National Live Stock Asso-

ciation in session at Salt Lake City desires to know the status of the investigation of the cost of production of beef being conducted by your Office of Farm Management. Please wire reply in time for me to read it to this convention before it adjourns tomorrow at 4:30.' This telegram was sent to me to prepare a reply for the Secretary's signature. I prepared substantially the following: 'The investigations on the cost of production have been greatly extended, and are being pushed vigorously. A report on them will be ready the first of July.'

"A few minutes after this telegram had been sent to the Secretary's office for his signature, Mr. Harrison of the Secretary's office called me over the phone and the following conversation, as nearly as I can recall it, took place: 'Spillman, what in hell do you mean by sending a telegram like this over here for the Secretary to sign? You know damned well he has stopped all these investigations.' I replied that I knew he had ordered them stopped, but that I had reason to think he was going to order them started again. Mr. Harrison asked me what I meant by such a statement, and I told him that I meant exactly what the statement implied.

Making a Telegram True.

"Then Mr. Harrison said: 'The telegram is not true.' I replied that it would be true when the Secretary signed it. He said the Secretary would not sign it, and then I asked him if he knew who Ike Pryor is, this being the name of the man who had sent the original telegram. Mr. Harrison replied that all he knew was that Mr. Pryor was signed as the president of the association. I then remarked that he represented one of the largest

and livest bunches of men in the country, and I happened to know that these men knew what they were after. I requested that he tell the Secretary from me that if he valued his job he would sign that telegram. Within half an hour I received a very courteous note from Mr. Harrison, with a copy of the telegram which he said the Secretary had signed and sent.

"The next day I renewed my request for the thirteen letters of authorization, and the request was granted, but this was in the dead of winter and it was not practicable to send men into the field until the first of April. Because of this interruption of the work as the result of the Secretary's refusal to permit it to proceed, we had thus lost from early in October to April. We got what data we could during April, May and June, which, as already stated, was merely supplementary to data which we had been ten years in collecting.

"On the 12th of July (1918), twenty-three reports were submitted to the Secretary, relating to the cost of producing various agricultural products, including wheat and beef. I may say that the data on the cost of producing beef consisted in part of careful bookkeeping records covering one hundred and forty-one farm years and the fattening of over forty-eight thousand steers. These reports are now in the possession of the Secretary of Agriculture and have been since the 12th of July.

Secretary Houston on 'Methods'.

"In his letter of November 7, 1918, to the President of the Senate, Secretary Houston, commenting on cost of production studies, said:

'About a year ago the results of one of the studies were brought to my attention. After an

examination of them, and in view of the criticisms by competent experts of similar studies, I indicated to Doctor Spillman, who was Chief of the Office of Farm Management until September 1 (1918), that I questioned the validity of the methods pursued in the studies and was of the opinion that the exposition and interpretation of the data were not adequate. Indicated to him my desire that careful consideration be given the whole matter and that a system of inquiry and interpretation be devised which would be regarded by competent students of farm economics as sound, and which would furnish results reasonably reliable and creditable to the department.'

"I am willing to be quoted as questioning the veracity of the Secretary in that statement. He never advised me to use any methods in this investigation. What he did was to order me to stop all such investigations, stating as his reasons therefor that the farmer is entitled to no information on cost of production.

"This opposition of the Secretary to work on cost of production has been persistent since the early days of his administration. It is true that by strenuous and persistent effort I had been able to force to publication a number of bulletins relating to cost of production. But at various times the Secretary called me down hard for offering such material for publication, making it perfectly clear to me that he did not desire such work to be done by the Department.

"To show that this was the fixed policy of the Secretary, I may refer to the fact that very early in his administration there was circulated through the

Department of Agriculture a sheet in which Secretary Houston concurred, that the Department of Agriculture should conduct no investigation that would reveal the profits made by farmers on the cost of producing farm products, and that no representatives of the Department of Agriculture should ever even intimate that it is possible to produce too much of any product. It was the business of the farmer, this anonymous circular stated, to produce, and it was the business of the Department of Agriculture to show the farmer how to produce.

Why Carver Left the Department.

"As further evidence of the domination of the Rockefeller interests in the Department, I may cite the establishment by Mr. Rockefeller through his General Education Board, of a bureau in the Department of Agriculture known as the 'Rural Organization Service'. It later transpired that the purpose of Mr. Rockefeller in establishing this bureau was to control the work of the Department and of the various agricultural colleges of the country; but these gentlemen made the mistake of thinking that any man who was paid a good salary would do what he was ordered to do. They employed Prof. T. N. Carver, of Harvard University, to head this new bureau. Professor Carver came to the Department with much enthusiasm for his work.

"This important work of the Bureau of Markets was made subject to the Rockefeller Bureau in order that its activities might be kept properly under control. Professor Carver worked very hard and conscientiously and in due time worked out a series of very important projects, the carrying out of which would have resulted in great good to

American farmers. These projects called for an expenditure on the part of the General Education Board of \$160,000 a year. When they were submitted to the Board with the estimates, the Board simply voted to give no money whatever for this purpose, and made no explanation of why they took this action. Shortly after that, another type-written sheet was circulated through the Department. It related to Professor Carver's work, and stated that Professor Carver had misunderstood what Mr. Rockefeller wanted. Mr. Rockefeller did not want to build up a big central organization for developing rural economic problems. What Professor Carver should do was to employ about half a dozen of the ablest men he could find and send them around to the various state institutions and endeavor to interest the professors of economics in these institutions in such investigations. Mr. Rockefeller would be very liberal with his funds for this purpose. (See foot note by the author.)

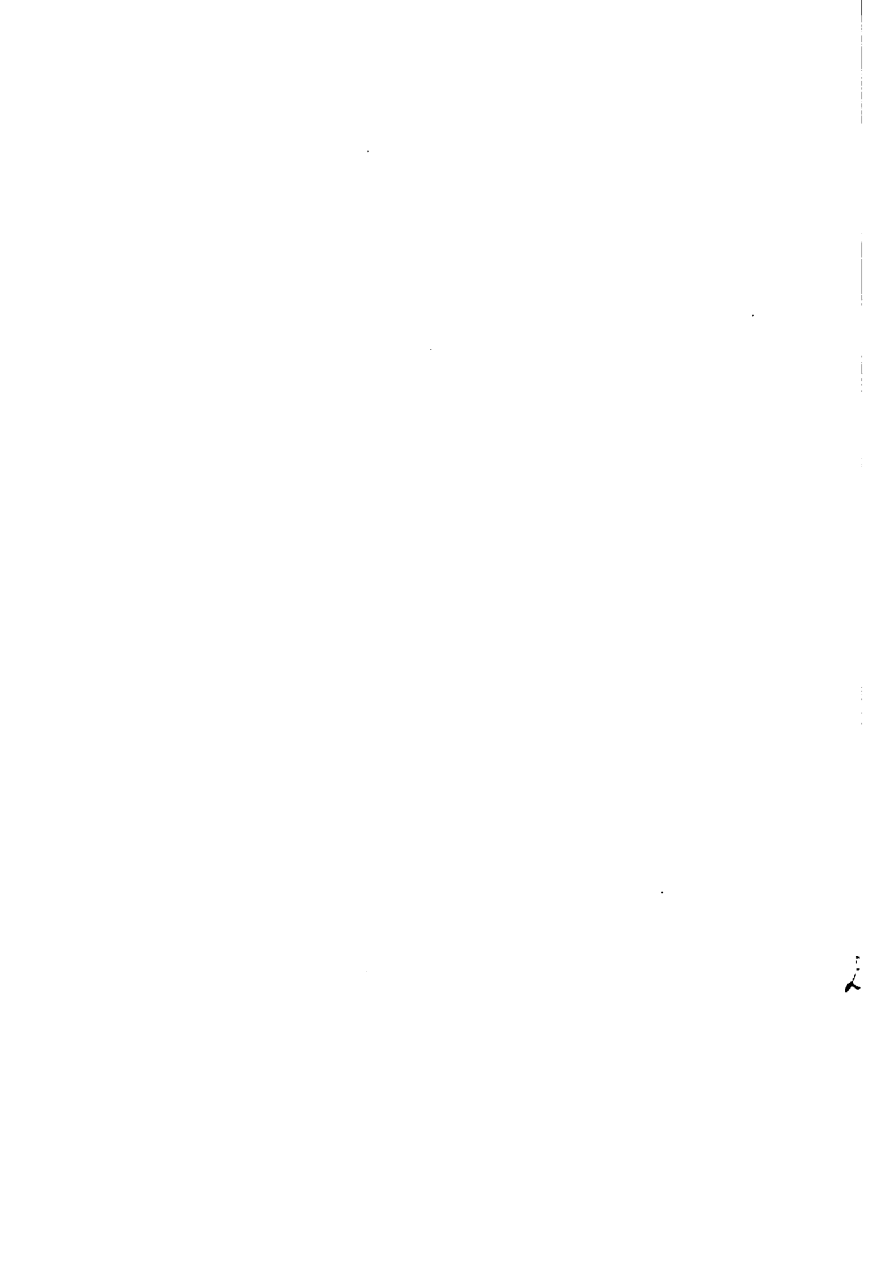
"Professor Carver sought an interview with the members of the General Education Board, in which he asked them if their purpose in getting him in the Department of Agriculture was to remove the taint from Mr. Rockefeller's money and induce institutions to accept it that are now refusing it. They declined to answer this question."

FOOTNOTE: Both the members of the General Education Board and the men who control the Agricultural Department, may have really considered that it would be detrimental to the public interest to enlighten the farmer in modern business methods, especially in business accounting.

Such an enlightenment would doubtless stimulate agricultural business organization and combination between the farmers, particularly in the matter of selling their products. The Board may have feared that the farmer,

traders organized on the financial side of his business, would combine against the consumer and curtail production for the purpose of needlessly increasing the prices of food products. Such a fear might have been quite natural to the Board's members. In fact, profiteering of this kind would occur in some cases. But to oppose for such a reason any improvement in business methods of farming is sheer social folly of an extremely dangerous nature, especially since it is so vital that the white men return to the land. Incidental drawbacks, that at times inevitably accompany social reforms, must be met in a direct manner and not by suppressing progress itself.





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